



IOWA AGRICULTURAL  
DEVELOPMENT DIVISION

**IADD BOARD MEETING MINUTES**

**Iowa Finance Authority**  
**2015 Grand Avenue, Des Moines, Iowa**  
**July 22, 2015**

**Board Members Present**

Mark Leonard, Chair	John Fredrickson
Lyle Borg, Vice Chair	Annette Townsley
Stacie Euken	

**Board Members Absent**

None

**Staff Members Present**

Mark Fairley, Finance & Investment Manager	Tim Jansen, Accounting Manager
Steve Ferguson, IADD Program Specialist	Tammy Nebola, IADD Program Specialist
Cindy Harris, CFO	

**Others Present**

Dave Claypool, Dorsey & Whitney

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**CALL TO ORDER**

The meeting of the Iowa Agricultural Development Division (IADD) Board of Directors was called to order by Chair Leonard on July 22, 2015 at 8:31 am. A quorum was established with the following Board Members present: Leonard, Borg, Euken, Fredrickson and Townsley.

**ELECTION OF OFFICERS**

Ms. Townsley nominated Mr. Leonard for Chair and Mr. Borg for Vice Chair and motioned that nominations cease. Mr. Fredrickson seconded the nominations and motion. There being no other nominations, the Board unanimously approved the election of Mr. Leonard as Chair and Mr. Borg as Vice Chair.

**REVIEW OF MINUTES OF JUNE 24, 2015 BOARD MEETING**

Mr. Leonard presented the minutes of the June 24, 2015 IADD Board Meeting. Mr. Leonard asked if there were any additions or corrections to the minutes.

**MOTION**

On a motion by Ms. Townsley and a second by Mr. Fredrickson, the Board unanimously approved the minutes of the June 24, 2015 IADD Board meeting.

### **REVIEW OF JUNE 2015 FINANCIAL STATEMENT**

Tim Jansen presented the June 2015 financials. He stated that for FY15 year-to-date, IADD had operating income of \$461,309 operating expense of \$436,994 and net operating income of \$24,314.

### **MOTION**

On a motion by Mr. Borg and a second by Ms. Euken, the Board unanimously approved the June 2015 financial statement as presented.

### **INVESTMENT OPTIONS**

Tim Jansen presented investment options to be considered. IADD has 3.5 million in the Rural Rehab Fund that is currently invested with the State Treasurer at a computed interest rate of 0.57%. Staff researched rates on several CD's and Treasury Bonds. Because it looks like rates will begin to increase in the second part of 2015, they are hesitant to invest too much long-term. Staff proposes to invest \$1,000,000 now; \$500,000 in a 3 year CD and \$500,000 in a 2 year CD.

Mr. Leonard stated that several banks in the northwestern region are in need of deposits. He indicated that he had spoken to several bankers who seemed willing to do 1.00% on 1 year CD. Cindy Harris asked Mr. Leonard to forward on contact information to staff so they can follow up with those banks.

### **IADD RULE CHANGES**

Tammy Nebola presented potential IADD rule changes. The Governor signed HF 624 allowing for custom farming contract to have terms of up to 24 months. Because of this change, the IADD rules needed to be updated. While updating the rules to reflect the new legislation, it was decided to clean up some other areas. Other revisions include grammatical errors, broader definitions and changes to LPP rules that would allow the board to make future changes to the program without requiring rule changes. Rule changes have been reviewed by Bond Counsel who had no further changes.

Mr. Leonard had a question about deleting the "projected gross income" and "term debt coverage ratio" definitions. Tammy explained that the LPP section of the rules do not reference those terms so there is no need to define them. The definitions will continue to be in the LPP program summary and part of the program policy.

### **MOTION**

On a motion by Mr. Borg and a second by Mr. Fredrickson, the Board unanimously approved the IADD rule changes.

## **LOAN PARTICIPATION PROGRAM**

Tammy Nebola presented information on the following loan participation application.

P0201 - Todd A. and Mallory Kruse. The LPP is for \$150,000. The borrower will construct a 2,400 Hd Hog Finishing Building. They have also applied for a Beginning Farmer Loan. The bank is De Witt Bank & Trust Company in De Witt.

## **MOTION**

A motion was made by Ms. Townsley to approve the loan participation for Todd and Mallory Kruse subject to receiving a first mortgage on 200 acres and an assignment of the feeding contract. Ms. Euken seconded the motion and the motion was unanimously approved by the Board.

## **BEGINNING FARMER LOAN AMENDING RESOLUTIONS**

Tammy Nebola presented the following resolutions to adjust the terms and conditions on closed BFLP projects:

Resolution 04495M – Andrew G. Sponheim – U.S. Bank, N.A. in Boone is the lender. The amendment will lower the interest rate from 4.87% to 4.50% until March 15, 2025 at which time the rate will adjust to the original index of 85% of 2.50% over the 5 Year Treasury Rate, adjustable every five years. Due to the rate decrease the annual payment amount will decrease from \$17,216.33 to \$16,628.40 beginning on March 15, 2016. Remove the rate floor. All other loan terms will remain the same.

Resolution 04496 – Shawn L. Sponheim – U.S. Bank, N.A. in Boone is the lender. The amendment will lower the interest rate from 4.96% to 4.50% until March 15, 2025 at which time the rate will adjust to the original index of 85% of 2.50% over the 5 Year Treasury Rate, adjustable every five years. Due to the rate decrease the annual payment amount will decrease from \$16,326.20 to \$15,468.05 beginning on March 15, 2016. Remove the rate floor. All other loan terms will remain the same.

Resolution 04635M – Matthew F. and Kelly M. Kress – Citizens State Bank in Monticello is the lender. The amendment will fix the interest rate of 4.25% until April 1, 2022 at which time the rate will adjust from the original index of 78% of the 5-year Treasury + 3.45% with a 2.00% cap each adjustment, adjustable every five years to 78% of the 7-year Treasury + 3.71% with a 2.00% cap each adjustment, adjustable every seven years. Due to the loan being paid ahead, re-amortizing the loan over the remaining term will decrease the annual payment amount from \$15,636.35 to \$12,658.19 beginning on April 1, 2016. All other loan terms will remain the same.

Resolution 04467 – Nathan L. Snakenberg – Grinnell State Bank in Marengo is the lender. The amendment will change the Bondholder from First State Bank, Lynnville, IA to Grinnell State Bank, Marengo, IA. Lower the interest rate from 5.25% to 3.95% until May 15, 2020 at which time the rate will adjust to the index of 2.60% above the 5 year U.S. Treasury adjustable every

five years. Change the amortization from 30 years to 25 years, which changes the maturity date from September 30, 2041 to May 15, 2035. Due to the decreased amortization the payment amounts will change from \$31,934.00 annually to \$17,221.00 semi-annually beginning on November 15, 2015 and continuing each May 15<sup>th</sup> and November 15<sup>th</sup> until maturity. Remove the rate ceiling and rate floor.

Resolution 04671M – Kyle L. and Rachel Thomsen – Northwest bank in Spencer is the lender. The amendment will change the Bondholder from State Bank, Everly, IA to Northwest Bank, Spencer, IA. Add Kyle's wife Rachel Thomsen to the loan. All other loan terms will remain the same.

Resolution AG 14-018M – Jesse Pollema – American State Bank in Hull is the lender. The amendment will lower the interest rate from 4.75% to 4.10% until July 1, 2019 at which time the rate will adjust to the original index of 70% of American State Bank Base Rate adjustable every five years. The payment date will change from the 1<sup>st</sup> of the month to the 15<sup>th</sup> of the month and due to the rate decrease the monthly payment amount will decrease from \$557.73 to \$519.00 beginning on July 15, 2015. Decrease the rate floor from 4.75% to 4.10%. All other loan terms will remain the same.

### **MOTION**

On a motion by Mr. Fredrickson and a second by Mr. Borg, the Board unanimously approved the Beginning Farmer Loan Program Amending Resolutions.

### **BEGINNING FARMER LOAN APPLICATIONS**

Tammy Nebola introduced the following applications for Beginning Farmer loans:

AG 15-038– Mark and Lisa Digney – Beginning farmer loan of \$128,750 to purchase approximately 25 acres of agricultural land in Scott County. The loan will have a variable interest rate of 3.60% and a loan length of 30 years. The index will be Wall Street Journal Prime + 0.35%. The lender is First Central State Bank in Eldridge, Iowa.

AG 15-039 – Todd A. and Mallory Kruse – They have also applied for a Loan Participation. Beginning farmer loan of \$250,000 to construct a 2,400 Hd Hog Building in Clinton County. The loan will have a variable interest rate of 3.50% and a loan length of 12 years. The index will be equal to the prime rate as published in the Wall Street Journal less 0.50. The lender is De Witt Bank & Trust Company in De Witt, Iowa.

AG 15-040 – Jeffrey S. Schmitt – Beginning farmer loan of \$250,000 to construct an undivided ½ interest in a Free Stall Dairy Barn and Milking Parlor and purchase 33 Hd of Dairy Cattle in Winneshiek County. The loan will have a variable interest rate of 3.50% and a loan length of 20 years. The index will be 1.00% below the CSB Variable Real Estate Rate. The lender is Citizens Savings Bank in Spillville, Iowa.

AG 15-041 – Chance J. Turner – Beginning farmer loan of \$179,960 to purchase approximately 76.58 acres of agricultural land, house and out-buildings in Page County. The loan will have a

variable interest rate of 3.75% and a loan length of 30 years. The index will be 2.25% above the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years. The lender is Bank Iowa in Clarinda, Iowa.

AG 15-042 – Noah P. and Sky M. Hahn – Beginning farmer loan of \$225,000 to purchase approximately 80 acres of agricultural land in Jefferson County. The loan will have a variable interest rate of 3.80% and a loan length of 30 years. The lender is Libertyville Savings Bank in Keota, Iowa.

AG 15-043 – Jonathan S. and Sharon Martin – Beginning farmer loan of \$136,500 to purchase approximately 39 acres of agricultural land, house and out-buildings including the construction of hog farrowing and gestation pens within existing buildings in Winneshiek County. The loan will have a variable interest rate of 3.50% and a loan length of 30 years. The lender is Citizens Savings Bank in Protivin, Iowa.

#### **MOTION**

On a motion by Mr. Fredrickson and a second by Ms. Euken, the Board unanimously recommended approval of the BFLP applications.

#### **PUBLIC HEARING ON BEGINNING FARMER LOANS**

A public hearing was held by the IADD Board at the Iowa Finance Authority office on July 22, 2015 at 9:07 am. There were no comments received regarding the Beginning Farmer Loan applications. The public hearing was closed at 9:08 am.

#### **MOTION**

A motion was made by Mr. Fredrickson to close the bond hearing. Mr. Borg seconded the motion and the motion was unanimously approved by the Board.

On a motion by Ms. Townsley and a second by Ms. Euken, the Board unanimously recommended approval of the BFLP Bond documents.

#### **BEGINNING FARMER TAX CREDIT APPLICATIONS**

Steve Ferguson presented a summary of the Beginning Farmer Tax Credit applications. There were 42 new BFTC applications for an estimated tax credit amount of \$300,522.95. He noted that of those, 20 are cash rent, 19 are crop share and 3 are hybrid.

Steve pointed out that the application fee increased by \$50 on July 1<sup>st</sup> which he believes caused the flurry of activity.

Mr. Leonard questioned if there was any follow-up monitoring on the crop share applications to ensure that the beginning farmer actually received the correct share of the crop. Steve responded that there is no follow up.

Ms. Townsley questioned the note on project 1997. It stated that FSA would send an updated 156 form showing the farmer as the operator, she wanted to know if once it was approved it was

being held until the 156 was received. Steve stated that there has been a problem with FSA's computer system, several offices are stating that they cannot update these with the new farm bill activity. He is asking for written documentation and accepting the email from FSA as the proof instead of the updated 156 form.

Mr. Borg questioned project 2005. He wanted to know if Steve felt comfortable that the 21 year was going to be farming that much land and was confident that the project is legitimate. Steve stated that he was comfortable with the project. Fredrickson also noted that he is familiar with the family and was confident with the involvement of the son.

#### **MOTION**

On a motion by Ms. Euken and a second by Ms. Townsley, the Board unanimously recommended approval of the Beginning Farmer Tax Credit applications as presented.

#### **BEGINNING FARMER TAX CREDIT CHANGES**

Steve Ferguson noted that there has been some inconstancy with bringing change requests to the board for the loan programs but not the tax credit programs. In the past the change requests have just been coordinated with MABSCO. This is to update the board on the tax credit changes that have already been done for 2015. Going forward the requests will be presented to the board as they are received.

Steve Ferguson presented a summary of the Beginning Farmer Tax Credit change requests. There have been 23 requests in 2015, mostly to reduce the cash rent amount but also a few asset owner changes.

#### **MOTION**

On a motion by Mr. Fredrickson and a second by Mr. Borg, the Board unanimously recommended approval of the Beginning Farmer Tax Credit change requests.

#### **MARKETING UPDATE**

Included in the Board packet is the IADD marketing calendar. Mr. Ferguson reviewed some of the recent events he's attended. He also discussed some upcoming events. Steve informed the board that IADD is sponsoring all of the ISU Extension Land Leasing Meetings in each county. There are 8 regions of extension and he has been coordinating with the Farm Managers to try to attend at least 2 meetings in each region. He feels that this will give us some good exposure. Mr. Borg asked what is involved with the sponsorship. Steve stated that IADD is providing brochures and a plexiglass display for each meeting and the cost is only \$500 for all 99 counties. Steve also discussed Summit Farms annual workshop and is excited about the opportunity to have a booth and do a presentation. In the future Steve is planning on being a little more strategic about his travel, trying to do more of a quarterly regional focus.

## **OTHER BUSINESS**

### **DISCUSSION REGARDING CONSIDERATION TO PARTIALLY FUND VETERANS IN AGRICULTURE (VIA)**

Steve presented a funding request for Veterans in Agriculture (VIA), he serves on this board. VIA is pursuing to do an inclusive strategic plan, there are two people who are lined up to assist with this, Tim Neugent and Mary O'Keefe will provide services to help with a 5 year funding campaign so VIA will be able to hire a staff person. Tim and Mary's fee is \$15,000. VIA is trying to raise funds to pay for these efforts. Every time IADD does anything with this group we are able to have a booth and a speaking opportunity. Steve asked the board if they were interested in considering to partially fund the VIA's efforts, if so he would be happy to get more information to the board. Ms. Euken felt it would be worthwhile to have some additional information presented in August.

### **MATERIALS AVAILABLE FOR IADD BOARD**

Ms. Townsley asked if there were any materials that had bullet points on the IADD programs or a short 5-10 minute presentation that would be available to the Board Members to be able to present if they had the opportunity to do so. She asked the staff to discuss it and see if something could be provided for the Board.

### **SEPTEMBER IADD BOARD MEETING**

A date for the September Board Meeting needs to be set. The normal meeting would be scheduled for September 23, which is during the NARRC Conference which Steve and Mark will attend and a Conference in Iowa City that Tammy will attend. Alternate dates were discussed and the Board decided on Friday, September 25, 2015 via conference call.

### **NEXT IADD BOARD MEETING**

The August IADD Board meeting will be Friday, August 21, 2015 at 9:30 am at the Iowa Finance Authority Offices in Des Moines.

### **ADJOURNMENT**

On a motion by Ms. Euken and a second by Mr. Borg, the July 22, 2015 meeting of the IADD Board of Directors adjourned at 9:46 am.

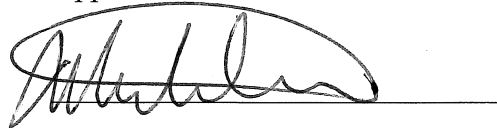
Dated this 22<sup>nd</sup> day of July, 2015.

Respectfully submitted:



Lori K. Beary  
Director's Designee/Board Secretary

Approved as to form:



Mark W. Leonard, Chair  
IADD Board